

**TESTIMONY OF KENNETH RIJOCK, TO BE GIVEN 3/9/2000 BEFORE
THE HOUSE COMMITTEE ON BANKING AND FINANCIAL SERVICES**

I'D LIKE TO THANK THE COMMITTEE AND CHAIRMAN LEACH FOR GIVING ME THE OPPORTUNITY TO TESTIFY TODAY. MY NAME IS KENNETH RIJOCK AND I AM A FINANCIAL CRIME CONSULTANT IN MIAMI, FLORIDA. I TEACH MONEY LAUNDERING TECHNIQUES TO LAW ENFORCEMENT, AND I TEACH FROM THE PERSPECTIVE OF A DECADE OF PERSONAL INVOLVEMENT IN CONDUCTING MONEY LAUNDERING OPERATIONS FOR NARCOTICS TRAFFICKING ORGANIZATIONS. IN OTHER WORDS, I WAS A CAREER CRIMINAL WHO DISPOSED OF THE PROCEEDS OF CRIME FOR MY CLIENTS.

ALTHOUGH I UTILIZED A VARIETY OF METHODS, THE MOST DIFFICULT TO DETECT WAS THE ILLEGAL EXPORT OF LARGE AMOUNTS OF CURRENCY FROM THE UNITED STATES INTO THE TAX HAVENS OF THE CARIBBEAN, THE SO-CALLED " BANKING REPUBLICS. " LOCATED MAINLY IN THE TAX SHELTER COUNTRIES, OFFSHORE BANKS OFFER THE MONEY MANAGERS OF CRIMINAL ORGANIZATIONS THE OPPORTUNITY TO LAUNDER FUNDS WITH MAXIMUM SAFETY AND SECRECY AT MINIMUM RISK. I KNOW THIS FROM MY OWN EXPERIENCE.

OFFSHORE OPERATIONS IN THE TAX HAVENS ARE PAINSTAKINGLY CONSTRUCTED TO MAKE INVESTIGATION LITERALLY IMPOSSIBLE. FOR EXAMPLE, A NARCOTICS TRAFFICKER MAY OWN A CORPORATION FORMED IN THE TURKS & CAICOS ISLANDS, WHERE THE U.S. DOLLAR IS THE CURRENCY OF THE REALM, BUT THE BOARD OF DIRECTORS LIVE IN THE CHANNEL ISLANDS, THE BANK ACCOUNTS ARE IN LIECHTENSTEIN, THE COMPANY DOES BUSINESS IN PANAMA, AND THE AIRCRAFT AND VESSELS UTILIZED TO TRANSPORT NARCOTICS AND CASH ARE REGISTERED IN SAO TOME, OFF THE COAST OF WEST AFRICA. WHAT CRIMINAL INVESTIGATOR HAS EITHER THE TIME OR THE BUDGET TO UNTANGLE THIS WEB ?

IN A FREE AND OPEN SOCIETY, WE ARE UNABLE TO ADEQUATELY POLICE OUR BORDERS, ESPECIALLY WHERE OUTBOUND FLIGHTS AND CARGO ARE CONCERNED. EVEN IF THE UNITED STATES CUSTOMS SERVICE HAD TWO MILLION AGENTS, AND WE PLACED A WEBCAM IN EVERY GENERAL AVIATION AIRPORT IN THE COUNTRY, MONEY AND FINANCIAL INSTRUMENTS WOULD STILL FIND A WAY OFFSHORE, AND INTO THE TAX HAVENS. I WAS NEVER EVEN STOPPED IN MY MANY TRIPS OVERSEAS, CARRYING CASH OR CASH EQUIVALENT INSTRUMENTS.

MONEY LAUNDERERS ARE ATTRACTED BY A BUSINESS ENVIRONMENT WHERE INCOME, CORPORATE AND INHERITANCE TAXES DO NOT EXIST, WHERE THERE ARE NO EXCHANGE CONTROL LAWS, AND WHERE BANK AND

CORPORATE SECRECY LAWS PROHIBIT EVEN AN INQUIRY INTO THE OWNERSHIP OF COMPANIES AND BANK ACCOUNTS.

FOR OVER TWENTY-FIVE YEARS, THE TAX HAVENS OF ANTIGUA, ST. KITTS, THE CAYMAN ISLANDS, ANGUILLA, THE BRITISH VIRGIN ISLANDS AND OTHERS HAVE ATTRACTED ILLICIT CASH ON ITS JOURNEY THROUGH THE WASH, DRY AND FOLD CYCLE OF MONEY LAUNDERING, PLACEMENT, LAYERING AND INTEGRATION. THESE THREE SEPARATE AND DISTINCT PHASES OPERATE TO ENTER THE ILLICIT CASH INTO THE WORLDWIDE BANKING SYSTEM, TO MOVE IT AROUND, THUS DISGUIISING ITS TRUE CRIMINAL ORIGIN, AND TO INVEST THE SANITIZED RESULTS INTO THE UNSUSPECTING ECONOMY.

A TYPICAL MONEY LAUNDERING OPERATION CONSISTED OF CHARTERING A LEARJET IN FT. LAUDERDALE, DRESSING UP SEVERAL CLIENTS IN BUSINESS SUITS FOR A PURPORTED MEETING IN THE CARIBBEAN, AND LEAVING U.S. AIRSPACE WITH SEVERAL MILLION DOLLARS WITH THE ULTIMATE DESTINATION BEING THE "BANKING REPUBLICS."

AFTER A SHORT REFUELING STOP IN ST. MARTIN, A FRENCH-DUTCH POSSESSION THAT DOES NOT PERFORM CUSTOMS INSPECTIONS ON ANY ARRIVING VISITORS, WE ARRIVED AT THE AIRPORT IN ANGUILLA, A NATION WHICH, AT THAT TIME, HAD OVER 300 BANKS FOR A NATION WITH A POPULATION OF ABOUT 8000.

THERE, WE WERE MET BY OUR LOCAL ATTORNEY, WHO HELD THE TITLE OF CONSTITUTIONAL ADVISOR TO HER MAJESTY'S GOVERNMENT, AS WELL AS THE FOLLOWING POSITIONS IN NEARBY ST. KITTS : AMBASSADOR TO THE U.S., THE U.N. AND THE O.A.S., AS WELL AS BEING THE FOREIGN MINISTER. NEEDLESS TO SAY, WE HAD NO PROBLEMS WITH THE AUTHORITIES.

ONCE FORMALITIES WERE COMPLETED, A SHORT RIDE FOLLOWED TO A SHOPPING CENTER OF THE TYPE COMMON TO THE TAX SHELTER COUNTRIES: ONLY BANKS, TRUST COMPANIES, AND MANAGEMENT FIRMS, NO RETAIL OR COMMERCIAL BUSINESS WHATSOEVER.

THE SIX MILLION DOLLARS WAS DEPOSITED INTO ACCOUNTS OWNED BY LOCALLY-FORMED CORPORATIONS IN A JURISDICTION WHERE BEARER SHARES ARE PERMITTED, AND CORPORATION SECRECY PENALIZES INQUIRING PARTIES WITH IMPRISONMENT AND FINES, WITH THE PENALTY ENHANCED FOR LAW ENFORCEMENT.

SIGNATURE CARDS ARE PASSED OUT, WITH BANK ADVICE THAT THE

DEPOSITORS SHOULD NOT SIGN THEIR REAL NAME. THE IDENTIFICATION OF DEPOSITORS AND THE ORIGIN OF FUNDS ARE NEVER BROUGHT UP BY BANK OFFICERS. TO FORMER PROMINENT CLIENTS ACTUALLY VISITED A TOY STORE AND USED RUBBER STAMPS WITH THE IMAGES OF MINNIE MOUSE AND GOOFY IN PLACE OF SIGNATURES. THE NAMES ON THE ACCOUNTS WERE THE NAMES OF THESE CARTOON CHARACTERS.

CERTIFICATES OF DEPOSIT WOULD BE ISSUED, THE ORIGINALS REMAINING IN THE BANK TO KEEP THEM FROM THE SUBPOENA POWERS OF AMERICAN COURTS. BANK STATEMENTS WERE SENT CARE OF THE LOCAL ATTORNEY, WHO WAS ONE OF THE BANK'S OWNERS.

THE OFFSHORE BANKS, SHIELDED FROM AMERICAN LAW ENFORCEMENT INQUIRY, HAVE OPERATED WITH IMPUNITY, AND WITH GREAT SUCCESS DUE TO ONE FEATURE; THEY ALL HAVE CORRESPONDENT RELATIONSHIPS WITH MANY OF NEW YORK'S MAJOR BANKS, ALLOWING THEM TO DEPOSIT OBSCENE AMOUNTS OF CASH ANONYMOUSLY, AND IN THE OFFSHORE BANK'S NAME. THE FACELESS CLIENT IS NEVER IDENTIFIED.

FUNDS DEPOSITED INTO THESE OFFSHORE BANKS ARE IMMEDIATELY COURIERED TO CORRESPONDENT ACCOUNTS IN THE UNITED STATES, WHERE THEY EARN SUBSTANTIAL RATES OF INTEREST; IN TURN THE DRUG CAPITAL, NOW COMFORTABLY RESIDING AS A GENERAL DEPOSIT OF THE OFFSHORE BANK IN NEW YORK, IS AVAILABLE TO THE AMERICAN BANK TO LEND OUT TO ANY CREDIT-WORTHY CORPORATE BORROWER, AT COMPETITIVE RATES. THEREFORE, THE NARCOTICS PROCEEDS MAKE A SUBSTANTIAL CONTRIBUTION TO THE PROFIT PICTURE OF BOTH THE OFFSHORE AND THE AMERICAN BANK. THAT'S WHY THERE IS SUCH STRONG OPPOSITION TO CHAIRMAN LEACH'S PROPOSED LEGISLATION.

CLOSING THE DOOR ON DIRTY MONEY COMING INTO THE U.S. DEPENDS ON REQUIRING OFFSHORE BANKS TO MAINTAIN THE SAME LEVEL OF REPORTING AS IS REQUIRED IN THE U.S., THUS FORCING IDENTIFICATION OF THE BENEFICIAL OWNERS. THIS THEY WILL NEVER DO, AS IT (1) EXPOSES THE CRIMINAL CLIENT TO POSSIBLE SEIZURE AND FORFEITURE (2) IDENTIFIES THE CLIENT, AND (3) VIOLATES THEIR OWN SECRECY LAWS.

BY HOLDING THE OFFSHORE BANKS TO THE SAME STANDARDS AS WE HOLD OUR OWN DOMESTIC BANKING INSTITUTIONS, WE ARE NOT INTERFERING WITH THEIR INTERNAL OPERATIONS, OR SEEKING TO CLOSE THEM DOWN. RATHER, WE ARE DECLINING TO DEAL WITH THEM UNTIL THEY CONFORM TO ESTABLISHED BANKING NORMS.

FOR THOSE PRIVACY ADVOCATES WHO SEE THIS PROPOSED LEGISLATION AS SOME ORWELLIAN INTRUSION INTO THE RIGHT OF THE INDIVIDUAL TO CONDUCT BUSINESS WHERE AND WHEN HE PLEASES, I REPLY-PLEASE FEEL FREE TO CONDUCT YOUR BUSINESS WORLDWIDE. BUT KNOW THIS - YOU CANNOT CONDUCT BUSINESS INTO OR OUT OF THE UNITED STATES WITH INSTITUTIONS THAT DO NOT MEET OUR REPORTING STANDARDS. IF YOU WANT TO EXERCISE YOUR RIGHT OF SO-CALLED ASSET PROTECTION, AND MOVE YOUR ASSETS OFFSHORE TO LIMIT EXPOSURE TO CREDITORS, EX-SPOUSES, AND THE INTERNAL REVENUE SERVICE, YOU MAY FIND YOU ARE TRAVELING DOWN A ONE-WAY STREET, UNABLE TO REPATRIATE FUNDS.

ANOTHER REASON WE MUST SHUT DOWN THE INCESTUOUS RELATIONSHIP BETWEEN AMERICAN AND TAX HAVEN BANKS IS THE RISING PRESENCE OF RUSSIAN ORGANIZED CRIME IN THE CARIBBEAN. AS MANY TAX HAVENS ALLOW WHAT ARE KNOWN AS ECONOMIC CITIZENSHIP, THESE WELL-FUNDED CAREER CRIMINALS HAVE BEEN SEEN OBTAINING NEW PASSPORTS, OFTEN WITH NEW NAMES UNKNOWN TO LAW ENFORCEMENT. WE ARE NOT INTERESTED IN THESE INDIVIDUALS CORRUPTING, INFLUENCING OR ATTACKING OUR DOMESTIC BANKING AND FINANCIAL SYSTEM THROUGH THE THROUGH THE TAX HAVENS.

AN ADDITIONAL REASON FOR CLOSING THE CORRESPONDENT BANK LOOPHOLE IS THE PROLIFERATION OF THE SO-CALLED PORTABLE, OR TRAVELING, TRUST, AN INVESTMENT VEHICLE GUARANTEEING TOTAL SECRECY FOR THE GRANTOR, WITH AN ADDITIONAL FEATURE; THE TRUST DOCUMENT PROVIDES THAT, IN THE EVENT OF ANY INQUIRY ABOUT THE TRUST OR ANY ASPECT OF ITS HOLDINGS, ALL ASSETS ARE IMMEDIATELY TRANSFERRED TO ANOTHER TAX HAVEN, OFTEN AT THE OTHER END OF THE WORLD. THEREFORE, NO INFORMATION CAN EVER BE OBTAINED.

STILL ANOTHER REASON IS THE PREVENTION OF THE RISE OF WHAT HAVE BEEN CALLED NARCO-DEMOCRACIES IN THE REGION; THE TOTAL DOMINATION OF A LOCAL GOVERNMENT BY SUCCESSFUL NARCOTICS TRAFFICKERS. THE RECENT EXPERIENCES OF ST. KITTS ARE A PRIME EXAMPLE. THE PASSAGE OF THE ESSENCE OF THE LEACH BILL WOULD STRENGTHEN LEGITIMATE BANKS IN THE OFFSHORE REGION, AND ENCOURAGE THEIR DEVELOPMENT, THUS ALLOWING SUPPORT FOR EMERGING DEMOCRACIES SUPPORTED BY LEGITIMATE COMMERCE.

REMEMBER, WE ALSO STOP INTERNATIONAL WHITE-COLLAR CRIME FROM UTILIZING OUR BANKING SYSTEM THROUGH THE TAX HAVENS; CROOKED INSURANCE COMPANIES WOULD NO LONGER BE ABLE TO HIDE BEHIND THE SHIELD THAT PROTECTS AGAINST DISCLOSURE OF THEIR ASSETS AND LOSS RESERVES; NOR COULD BANK FRAUD BE PERPETRATED FROM THE SAFETY

OF OFFSHORE REFUGE.

THE SECOND MAJOR FEATURE OF THE CHAIRMAN'S BILL IS THE FUNCTIONAL ELIMINATION OF THE PAYABLE-THROUGH, OR "PASS THROUGH" ACCOUNT. SIMPLY PUT, A PASS THROUGH ACCOUNT ALLOWS A NON-DEPOSITOR AT AN AMERICAN BANK TO EXERCISE CERTAIN PRIVILEGES UTILIZING THE OFFSHORE BANK'S ACCOUNT AT THAT INSTITUTION. I COULDN'T HAVE CREATED A BETTER VEHICLE FOR MONEY LAUNDERING THAN THIS METHOD, WHERE USER IDENTIFICATION IS ALL BUT IMPOSSIBLE, AND THE USER CAN EFFECTUATE INTERNATIONAL TRANSFERS WITH LITTLE OR NO RISK OF EXPOSURE I RECOGNIZE THAT MANY BANKS HAVE ALREADY PROHIBITED THIS TYPE OF TRANSACTION, BUT WE NEED TO CLOSE THE DOOR ON THAT FORM OF ABUSE.

MAKE NO MISTAKE ABOUT IT, MONEY LAUNDERING IS FINANCIAL TERRORISM; TO ALLOW IT TO THRIVE IN THE UNITED STATES WILL ASSIST IMMENSELY POWERFUL INDIVIDUALS AND ORGANIZATIONS WHO, HAVING SUCCESSFULLY INVESTED HUGE SUMS IN OUR ECONOMY, WILL BEGIN TO EXERT FINANCIAL, POLITICAL AND EVEN INTELLECTUAL INFLUENCE ON OUR INSTITUTIONS. WE NEED TO STOP THIS DEVELOPMENT AT THIS STAGE.

UNLESS WE SLAM THE DOOR ON THE TAX HAVENS, AND DENY THEM ACCESS TO OUR BANKING SYSTEM AND MARKETS, WE CANNOT EXPECT TO SUPPRESS MONEY LAUNDERING IN THE UNITED STATES.

IF YOU WANT TO LEARN MORE ABOUT THE SUBJECT, COME DOWN TO MIAMI NEXT MONTH, SIT IN ON THE INTERNATIONAL MONEY LAUNDERING CONFERENCE, AND LEARN ABOUT THE PROBLEMS FACED BY THE LAW ENFORCEMENT COMMUNITY AND THE AMERICAN FINANCIAL SERVICES INDUSTRY.

I WILL BE HAPPY TO TAKE YOUR QUESTIONS AT THIS TIME. THANK YOU.